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## **Canada**

### **Food Service - Hotel Restaurant Institutional**

### **Food Service Industry Sector Overview - 2017**

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**Report Highlights:**

The Canadian food service industry was valued at \$60 billion in 2016. Canada remains one of the top destinations by value for U.S. agricultural exports, and opportunities exist to expand U.S. exports into the food service sector. The following report highlights the performance of the restaurant, hotel, and institutional sectors of Canada's food service industry.

Keywords: Canada, CA17053, food service, restaurant, hotel, institutional

**Post:**

Ottawa

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## Section I: Market Summary

### *Overview of the Canadian HRI Market*

In 2016, total foodservice sales surpassed \$60 billion, an increase of 5.8 percent in total sales from 2015, or real growth of 3.2 percent after accounting for menu inflation. A more moderate 1.8 percent rate of real growth in food service sales is expected in 2017 as Canadian consumers rein in spending habits in response to record high levels of household debt. Restaurants reported sales of \$49 billion, hotels reported sales of \$4.8 billion, and institutional foodservice sales reached \$3.5 billion in 2016.

The Canadian foodservice industry includes both commercial and non-commercial foodservice establishments, and the industry can be organized into three main subsectors: restaurants, accommodation foodservice, and institutional foodservice.

The restaurant subsector comprises the majority of the commercial foodservice sector (i.e., operations whose primary business is food and beverage service) and includes quick-service restaurants (counter service, food courts, take-out and delivery establishments), full-service restaurants (fine dining, casual and family restaurants), caterers (both contract caterers supplying foodservices to institutions and social caterers providing services for special events), and drinking establishments (e.g., bars and pubs).

Non-commercial foodservice (i.e., foodservice in establishments in which the primary business is something other than food and beverage sales) includes the accommodation (hotels, motels, and resorts) and institutional foodservice (e.g., food service in hospitals, schools, prisons and residential care facilities) subsectors. The non-commercial foodservice segment also contains retail foodservice and other foodservice (e.g., foodservice at movie theatres and sport stadiums).

In 2016, there were three main factors driving food service sales in Canada:

1. Strong domestic demand coupled with good weather resulted in robust spending at restaurants. The foodservice share of the total food dollar rose to 39.1 percent in 2016 – the highest level since 2006.
2. International tourism to Canada jumped by 10 percent in 2016, reaching its highest level since 2007, at the same time as more Canadians travelled domestically due to a weaker Canadian dollar. Continued weakness of the Canadian dollar against other currencies coupled with Canada 150 celebrations are expected to sustain tourism in 2017.
3. For the third year in-a-row, the rate of new foodservice establishment openings outpaced population growth in 2016.

**Foodservice Sales Forecast Breakdown by Subsector** (Billions of Canadian dollars)

	2016 Preliminary	% Change '15/'16	2017 Forecast	% Change '16/'17
Quick-service restaurants	\$28.91	7.6%	\$30.15	4.3%
Full-service restaurants	\$28.15	5.7%	\$29.30	4.1%
Caterers	\$5.46	2.7%	\$5.69	4.2%
Drinking places	\$2.42	5.5%	\$2.45	1.5%
<b>TOTAL COMMERCIAL</b>	<b>\$64.93</b>	<b>6.3%</b>	<b>\$67.59</b>	<b>4.1%</b>
Accommodation foodservice	\$6.39	2.6%	\$6.68	4.5%
Institutional foodservice	\$4.62	3.0%	\$4.76	3.1%
Retail foodservice	\$2.01	11.2%	\$2.14	6.1%
Other foodservice	\$2.63	3.2%	\$2.74	4.1%
<b>TOTAL NON-COMMERCIAL</b>	<b>\$15.65</b>	<b>3.8%</b>	<b>\$16.31</b>	<b>4.2%</b>
<b>TOTAL FOODSERVICE</b>	<b>\$80.59</b>	<b>5.8%</b>	<b>\$83.91</b>	<b>4.1%</b>
Menu inflation		2.6%		2.3%
Real growth		3.2%		1.8%

Source: Restaurants Canada, Foodservice Facts 2017

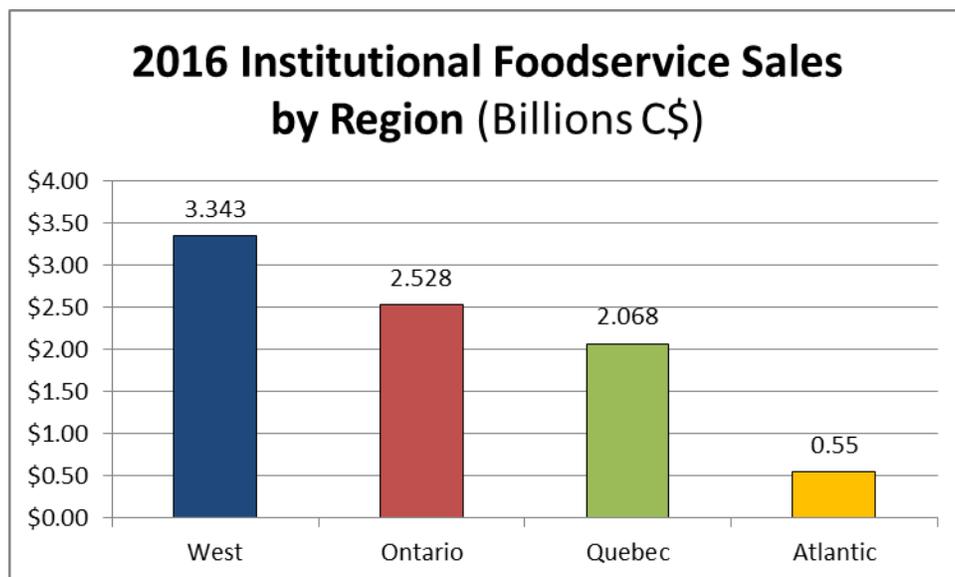
The provinces of Ontario and Quebec combined represented 58 percent of the commercial foodservice sales, with \$19.5 billion and \$9.1 billion in sales, respectively, in 2016. Despite intra-provincial variation, strong growth in British Columbia and central provinces offset weakness in Alberta and Saskatchewan to drive food service sales growth in 2016. The Fort McMurray wildfires and weaker oil prices setback Alberta tourism and economic growth, respectively, driving down restaurant visits in 2016. Following weaker sales in 2016, the introduction of a six percent meal tax in Saskatchewan is expected to further cut into sales in 2017.

In contrast, British Columbia saw a ten percent increase in foodservice sales in 2016 and is expected to continue to lead sales growth in 2017. Foodservice sales in Quebec surged by eight percent on increased tourism coupled and the lowest unemployment rates on record. Ontario's strong economy boosted sales seven percent in 2016, however sales growth is forecasted to recede in 2017 due to high levels of household debt.

**Performance by Province, *Commercial foodservice*** (Billions of Canadian dollar)

Province	2016 Sales	Projected Sales Growth Forecast '16/'17
Canada	64.9	4.10%
Newfoundland & Labrador	0,9	-1.00%
Prince Edward Island	0,2	3.60%
Nova Scotia	1.5	3.80%
New Brunswick	1.2	3.10%
Quebec	12	4.40%
Ontario	25.7	4.60%
Manitoba	1.96	4.00%
Saskatchewan	1.86	-2.40%
Alberta	8.9	2.90%
British Columbia	10.4	5.00%

Source: Restaurants Canada, Foodservice Facts 2017



Source: fsSTRATEGY 2017, Canadian Institutional Food service Market Report. Note: these figures include contract caterers providing foodservices at institutional establishments, explaining why the figures differ slightly from data on total institutional foodservice collected by Restaurants Canada. See table *Foodservice Sales Forecast Breakdown by Subsector*.

In 2016, total institutional foodservice sales in Canada totaled \$6 billion, representing around 10 percent of total foodservice sales. The Fort McMurray wildfires and lower oil prices also drove down institutional food service sales in 2016, driving down overall institutional foodservice sales. Institutional foodservice sales are forecast to continue to decline in 2017, totaling a two percent drop over five years from \$6.7 billion in 2013 to \$6.6 billion in 2017.

Accommodation foodservice sales were held back by lower tourism and less oil-industry business travel in Alberta, but still managed to grow by three percent nationally in 2016. National celebrations of the 150<sup>th</sup> anniversary of Canada's Confederation and the economic recovery in Alberta are expected to boost accommodation food service sales more than four percent in 2017.

Across all subsectors, foodservice operators will continue to face headwinds from food price inflation and increasing wages for foodservice employees. Driven by a weak Canadian dollar, the price for fresh vegetables and fruits rose by 14 and 13 percent, respectively in 2016. Alberta, Ontario, and British Columbia have all considered minimum wage, which are expected to have significant impacts on foodservice operating costs. Salaries and wages account for about one third of foodservice operating costs and hikes in menu prices are expected to follow. In Alberta, a significant number of operators have been forced to cut worker's hours or reduce staff.

### *Foodservice Subsectors*

#### **Restaurants**

The restaurant industry accounted for 4 percent of Canadian GDP and employed 1.2 million Canadians directly and 286,000 indirectly in 2016. For 22 percent of Canadians, the foodservice sector was their first job experience. There are 95,000 restaurants and drinking-places across the country with 18 million restaurant visits made by Canadians every day. 56 percent of the establishments are independents, while 44 percent are franchised or part of a national or local chain. The average foodservice operator has a pre-tax profit margin of 4.3 percent. Over the past couple of years, the number of restaurants has increased at an average rate of 2.6 percent, more than doubling the population growth rate. As a result, increased competition from new restaurants is among the top concerns for restaurant operators.

Canadian households spend an average of \$1,895 on meals at restaurants each year, with households in Alberta spending the most (\$2,651) and households in Prince Edward Island spending the least (\$1,311). Breakfast has been the fastest growing meal category at foodservice outlets for the past five years, and has grown to represent one in five restaurant visits.

Quick-service restaurants (QSRs) account for the largest number of restaurants in Canada, for 68 percent of all restaurant traffic and for over half of every foodservice dollar spent. In fact, Canada has the second highest per-capita spending at QSRs in the world. In 2017, QSRs continued to enjoy strong sales growth across the country, including in Alberta, as consumers generally are moving away from full-service restaurants (FSRs).<sup>1</sup> FSRs make up 2 percent of all restaurant visits, but account for slightly over 40 percent of foodservice spending. Chain restaurants command a 79 percent share of the dollar revenues, a percentage that has steadily risen in the last five years. In 2016, drinking establishments had their best year since 1999 with sales growing six percent to \$1.8 billion.

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<sup>1</sup> Full-service restaurants include all sit-down, table-service establishments where food, rather than drinks.

An increasing number of Canadians rely on prepared meals, making retail foodservice the fastest growing subsector, with growth expected to top six percent in 2017. The expansion of prepared meals selection in grocery stores is challenging the traditional commercial foodservice sector, as dinner meals sourced at retail outlets grew 20 percent in 2016 to account for nearly 10 percent of all foodservice dinner meals. The lines between grocer and restaurateur are fading as retailers evolved into ‘grocerants’ and restaurateurs focus more on take away meals and even retail products, such as consumer packaged sauces.

Online ordering and takeout meals have traditionally been dominated by take away franchise operations, such as QSR pizza delivery and fast food chains, however with the introduction of UberEats, Foodora and other home delivery apps, more and more restaurants have begun to profit from home delivery.

### **Accommodation foodservice**

Canada attracts over 16 million international visitors each year, with 75 percent of them coming from the United States. International tourism to Canada jumped by ten percent in 2016, reaching its highest level in a decade. The growing number of visitors subsequently fueled accommodation foodservice growth in 2016. The Hotel Association of Canada reported that there were 8,178 hotels, motels and resorts that generated revenues of \$13.9 billion in 2016, and accommodation foodservice sales reached \$5 billion. With ‘Canada 150’ celebrations and a relatively weaker Canadian dollar in 2017, tourism traffic should sustain solid accommodation foodservice sales.

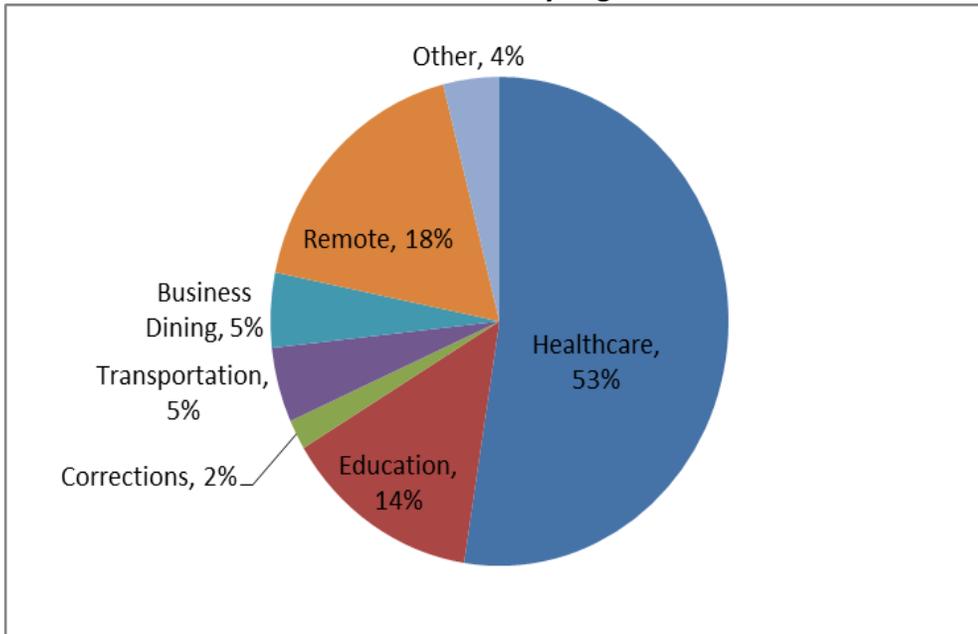
Some of Canada’s most profitable hotel chains are: Four Seasons Hotels and Resorts, Fairmont Raffles Hotels International, Marriott Hotels of Canada, Starwood Hotels & Resorts Worldwide, Wyndham Hotel Group, and InterContinental Hotels Group.

### **Institutional**

Total institutional foodservice sales in Canada totaled \$6 billion in 2016, representing around 10 percent of total foodservice sales. The sector consists of hospitals, residential care facilities, schools, prisons, factories, remote catering, and patient and inmate meals at correctional facilities. Healthcare foodservice makes up the largest segment of the institutional foodservice subsector and grew by four percent in 2016. The healthcare foodservice segment is expected to continue to grow as the Canadian population ages. The second largest segment is remote catering which constitutes foodservice in remote extractive industry and utility camps, the bulk of which are located in Alberta. Remote catering generally tracks the fortunes of the natural resource sector, posting a 30 percent sales decline in 2015 and falling another 7 percent in 2016 when extractive industries reduced staff in response to the Fort McMurray wildfires and lower world oil prices. Education foodservice is the third largest segment, making up 14 percent of total institutional foodservice sales. As educational enrollment rates are generally flat the education segment has remained fairly constant.

Around 54 percent of the institutional foodservice market is operated by the institutions themselves through direct hire of staff and management. The remainder is operated by contract foodservice companies. There has been a trend in the last decade for more and more institutions to reduce costs by contracting foodservice provision through caterers and other suppliers.

### Institutional Foodservice Market Share by Segment



Source: fsSTRATEGY 2017, Canadian Institutional Food service Market Report

### *Advantages and Challenges for U.S. HRI Food Products*

Advantages	Challenges
Canadian consumers enjoy a high disposable income, coupled with a growing interest in premium, high-quality products and global cuisine.	Competitive pricing as the cost of doing business in Canada for retailers and distributors are higher than in the United States, pushing food prices up.
U.S. food products closely match Canadian tastes and expectations.	The total population of Canada is slightly smaller than California and much more spread out, making marketing and distribution costs generally higher than in the United States.
Fruit and vegetable consumption in Canada is substantially higher than in the United States. Limited Canadian horticultural production provides opportunities for U.S. producers in the Canadian off-season. Canadian retailers rely heavily on imports to supply the domestic market all year round.	With consolidation, sellers often face one national retail buyer per category and this buyer will often purchase for all banners under the retailer. Buyers are constantly looking to reduce price, improve product quality and extend the product range with new entrants.

Advantages	Challenges
The Canadian ethnically diverse population provides opportunities for specialty products.	Food labeling, including bilingual packaging requirement, and nutritional content claims are highly regulated and frequently differ from the United States.
Duty free tariff treatment for most products under NAFTA.	Tariff rate quotas apply for certain products.
High U.S. quality and safety perceptions.	Differences in approved chemicals and residue tolerances, and differences in Food Standards may require special production runs and packaging due to Canadian standard package sizes.

## Section II: Road Map for Market Entry

### A. Entry Strategy

Food product manufacturers from the United States seeking to enter the Canadian marketplace have a number of opportunities. Although Canadians continue to look for new and innovative U.S. products, there are a number of challenges U.S. exporters must be prepared to meet. Some of them include exchange rate fluctuation, customs procedures, regulatory compliance, and labeling requirements. To facilitate initial export success, FAS/Canada recommends the following steps when entering the Canadian market:

1. Contact an international trade specialist through your state department of agriculture.
2. Thoroughly research the competitive marketplace.
3. Locate a Canadian partner to help identify key Canadian accounts.
4. Learn Canadian government standards and regulations that pertain to your product.

#### **Step 1: Contact an international trade specialist through your state department of agriculture.**

FAS/Canada relies on the State Regional Trade Groups (SRTG) and the U.S. state departments of agriculture they represent to provide one-on-one export counseling. These offices and their staff specialize in exporting food and agricultural products around the world. Their export assistance programs have been recognized by third party auditors to be highly effective in guiding new-to-market and new-to export U.S. companies.

Some of the services available through SRTGs and state departments of agriculture include: one-on-one counseling, business trade missions, support for participation in selected tradeshows, and identification of potential Canadian partners. Through their Canadian market representatives, SRTGs offer a service that strictly targets the food channels in Canada, similar to the U.S. Commercial Service's [International Partner Search](#). Under the Market Access Program (MAP) [Branded Program](#) / [Brand Promotion Program](#) / [FundMatch](#), financial assistance for small- and medium-sized firms may be available to

promote their brands in Canada and other foreign markets. This assistance may include partial reimbursement for marketing/merchandising promotions, label modifications, tradeshow participation, and advertising.

To reach an international trade specialist, please visit the appropriate SRTG website and/or the local state department of agriculture website by navigating through the National Association of State Departments of Agriculture (NASDA) website below.

Organization	Website	States
Food Export USA Northeast	<a href="https://www.foodexport.org">https://www.foodexport.org</a>	Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont
Food Export Association of the Midwest USA	<a href="https://www.foodexport.org">https://www.foodexport.org</a>	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin
Southern United States Trade Association (SUSTA)	<a href="https://www.susta.org">https://www.susta.org</a>	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Puerto Rico, Virginia, West Virginia
Western United States Agricultural Trade Association (WUSATA)	<a href="https://www.wusata.org">https://www.wusata.org</a>	Alaska, Arizona, American Samoa, California, Colorado, Guam, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming
National Association of State Departments of Agriculture (NASDA)	<a href="http://www.nasda.org/9383/States.aspx">http://www.nasda.org/9383/States.aspx</a>	State Directory of State Departments of Agriculture

**Step 2: Thoroughly research the competitive marketplace.**

For those new to exporting, SRTGs offer a number of resources that are available on-line and through special requests. These resources cover a range of exporting topics, from exporting terms to labelling information. Some of the SRTGs retain in-country, Canadian representatives that can help in a number of ways, including providing market intelligence specific to a particular product category. This type of information may help a potential U.S. exporter price their products to the market and identify the most appropriate food channel for their company. In coordination with SRTG services, FAS/Canada publishes numerous market and commodity reports available through the [Global Agricultural Information Network](#) (GAIN).

**Organization and Data Sources within Canada**

Organization	Function/Purpose	Website
Agriculture and Agri-food Canada	AAFC is the counterpart to the U.S. Department of Agriculture. Policies, programs and some statistics pertaining to Canadian agriculture are offered online.	<a href="http://www.agr.gc.ca">www.agr.gc.ca</a>
Restaurants Canada	Restaurants Canada is a national, not-for-profit association representing Canada's restaurant and foodservice industry. 30,000 members from the foodservice industry.	<a href="http://www.restaurantscanada.org/">www.restaurantscanada.org/</a>
Hotel Association Canada	Represents the Canadian hotel and lodging industry. More than 8,000 members from the accommodation industry.	<a href="http://www.hotelassociation.ca">www.hotelassociation.ca</a>
Foodservice and Hospitality Magazine	Magazine for Canada's foodservice and hospitality industry, more than 100,000 readers.	<a href="http://www.foodserviceandhospitality.com/">www.foodserviceandhospitality.com/</a>
Canadian Restaurant and Foodservice News	Official Magazine for the Canadian Culinary Federation, Canada's largest chef's association.	<a href="http://www.restobiz.ca/">www.restobiz.ca/</a> <a href="http://www.cfcc.ca/">www.cfcc.ca/</a>
Conference Board of Canada – Food Horizons Canada	FHC is the Conference Board's food research branch. The Conference Board is a non-for profit applied research organization.	<a href="http://www.conferenceboard.ca/fhc/default.aspx">www.conferenceboard.ca/fhc/default.aspx</a>
Canadian Institute of Food Science and Technology	A national association for food industry professionals advocating and promoting the quality, safety and wholesomeness of the food supply through	<a href="http://www.cifst.ca">www.cifst.ca</a>
Industry Canada	Trade databases.	<a href="http://www.ic.gc.ca">www.ic.gc.ca</a>

Organization	Function/Purpose	Website
Statistics Canada	The official source for Canadian social and economic statistics.	<a href="http://www.statcan.gc.ca">www.statcan.gc.ca</a>
Association of Importers and Exporters (I.E. Canada)	I.E. Canada is a national, non-profit organization committed to providing services to develop and enhance the international trade activity and profitability of importers and exporters.	<a href="http://www.iecanada.com">www.iecanada.com</a>

### **Step 3: Locate a Canadian partner to help identify key Canadian accounts.**

FAS/Canada recommends that exporters looking to enter the Canadian market consider appointing a broker or develop a business relationship with a distributor or importer. Some retailers, and even distributors, prefer working with a Canadian firm instead of working directly with U.S. companies unfamiliar with doing business in Canada. U.S. companies are urged to closely evaluate their business options and evaluate all potential Canadian business partners before entering into a contractual arrangement. Factors such as previous experience, the Canadian firm's financial stability, product familiarity, account base, sales force, executive team commitment, and other considerations should all be taken into account before appointing a Canadian partner and or entering into a business relationship. FAS/Canada encourages U.S. exporters to be clear in their objectives and communications to avoid confusion.

A partial listing of Canadian food brokers is available in GAIN Report [CA11025](#). FAS/Canada can provide assistance in identifying a broker, distributor, or importer, but cannot endorse any particular firm. Canadian business partners may request certain aspects of a product and/or a level of commitment from a U.S. exporter. Some of these criteria may include: product UPC coding; a proven track record of retail sales and regional distribution in the United States; production growth capacity; and commitment to offer a trade promotion program for Canada.

SRTGs offer services that can help vet potential partners, though these services are not an endorsement and we strongly recommend U.S. companies scrutinize the background of each potential Canadian partner and obtain referrals from the potential partner. Another avenue to identify potential business partners is to visit and/or participate in trade shows in Canada. Agriculture and Agri-Food Canada, USDA's Canadian counterpart, maintains a list of trade shows on [this webpage](#).

USDA endorses [SIAL Canada](#), one of the largest food trade shows in Canada. The annual event alternates between Montreal and Toronto. The next iteration will be in Montreal on May 2 – 4, 2018 at the Palais des Congrès. Interested U.S. food companies can contact USDA's show contractor, IMEX Management and ask for [Ms. Claire Gros](#) at 704-733-7211 or the USDA Foreign Agricultural Service's [Ms. Yolanda Starke](#) at 202-690-2148.

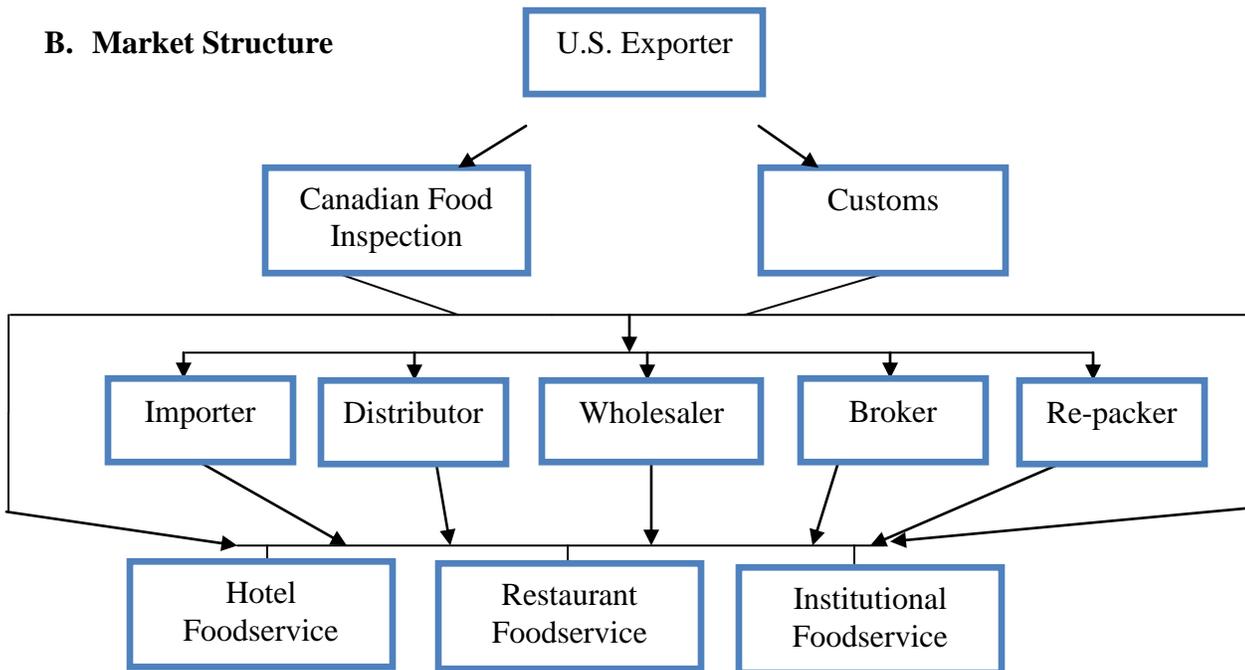
FAS/Canada recommends that U.S. firms electing to sell directly to retail or food service accounts, first evaluate the Canadian accounts to avoid future strategic conflicts. For example, selling a brand into a discount chain could limit that brand's ability to enter higher-end retail outlets. In addition, large grocers and mass merchandisers may demand minimum quantity orders from U.S. exporters.

**Step 4: Learn Canadian government standards and regulations that pertain to your product.**

Start by reviewing the latest FAS/Canada FAIRS Reports ([CA17049](#) and [CA17050](#)) for information on Canadian import policies pertaining to your product. In addition, the Canadian Food Inspection Agency (CFIA) provides extensive information on the [programs and services](#) it offers for importing commercial foods into Canada, including a [Guide to Importing Food Products Commercially](#). In addition, the CFIA [Automated Import Reference System](#) (AIRS) provides specific import requirements for food items by the Harmonized System (HS) classification, and detailed by place of origin (i.e., a specific U.S. state), destination in Canada (i.e., a specific province) and end use of the food item (e.g., for animal feed, for human consumption, etc.). The CFIA [Contact Us](#) webpage covers a range of issues, including contact information for regional offices and the [National Import Service Centre](#), which can help ensure customs paperwork accuracy and facilitate pre-clearance of some goods.

Canadian agents, distributors, brokers, and/or importers are also able to assist exporters through the import regulatory process.

**B. Market Structure**



### ***Foodservice Distributors***

Domestic and imported food products in the Canadian market may be shipped directly to foodservice establishments, however, most imports from the U.S. are filtered through importers, brokers, food distributors, wholesalers and/or re-packers. The two largest national foodservice distribution chains in Canada are Gordon Foodservice and Sysco. In addition, there are a number of regional foodservice distributors, some with specialized in niche products such as natural food products or organic products.

### ***Canadian Partners - Broker/Food Distributor/Importer Arrangements***

U.S. firms, particularly small to medium sized firms, are recommended to partner with a Canadian food broker/food distributor/importer. Normally, food distributors and importers will import and take title of the shipment. In turn, the shipment is likely to be stored in their warehouse facility and then sold to various foodservice accounts. Brokers on the other hand, usually do not take title of the goods but act as a sales agents to help pioneer a product, obtain listing of the product, and build distributor network and establish accounts. There are some brokers specialized in brokering foodservice products while others work both retail and foodservice channels. Exporters are recommended to inquire a prospective business partner's split between foodservice and retail to help them assess if the Canadian firm has sufficient expertise in the HRI segment. The Canadian partner's expertise will help develop the market and establish key foodservice accounts for the U.S. exporter. Usually brokers take a percentage of the product sales revenue, ranging from 3 percent to 10 percent. The percentage is determined by several factors: the type of product category, market niche potential, expected sales volume, additional services like merchandising or data collection. Initially, a broker may request a monthly retainer fee as they must 'pioneer' the product to prospective foodservice accounts and distributors. Once targeted sales volumes are reached, the broker will switch to a percentage of the established sales. All fees are negotiated between the principal and the broker prior to future transactions.

### ***Partial Listing of Canadian Foodservice Distributors***

Company Name	Head Office	Geographical Coverage	Website
Associated Food Distributors	Newmarket, ON	National	<a href="http://www.newmarketgroup.com/">www.newmarketgroup.com/</a>
Sysco Foodservices of Canada, Inc.	Toronto, ON	National	<a href="http://www.sysco.ca">www.sysco.ca</a>
Gordon F. Service	Milton, ON	National	<a href="http://www.gfscanada.com">www.gfscanada.com</a>
Belmont Meats	Toronto, ON	Greater Toronto Area	<a href="http://www.belmontmeats.com">www.belmontmeats.com</a>
Beverage World	Stoney Creek, ON	Ontario	<a href="http://www.beverageworld.ca">www.beverageworld.ca</a>
Classic Gourmet Coffee	Concord, ON	Ontario	<a href="http://www.classiccoffee.ca">www.classiccoffee.ca</a>

Company Name	Head Office	Geographical Coverage	Website
Colabor (Summit Foods)	Boucherville, QC	Quebec, Ontario & Atlantic Canada	<a href="http://www.colabor.com">www.colabor.com</a>
Food Supplies Co., Inc.	Concord, ON	Ontario	<a href="http://www.foodsupplies.ca">www.foodsupplies.ca</a>
Flanagan Foodservice	Kitchener, ON	Ontario	<a href="http://www.flanagan.ca">www.flanagan.ca</a>
Freshpoint (Division of Sysco/Produce)	Vancouver, BC	Western Canada	<a href="http://www.freshpoint.com">www.freshpoint.com</a>
Ideal Foodservice	Sydney, NS	Nova Scotia	<a href="http://www.idealfoods.ca">www.idealfoods.ca</a>
International Pacific Sales Ltd.	Richmond, BC	Western Canada	<a href="http://www.internationalpacificsales.com">www.internationalpacificsales.com</a>
I-D Foods Corp.	Laval, QC	Ontario & Quebec	<a href="http://www.idfoods.com">www.idfoods.com</a>
J & D Foodservices	Edmonton, ON	Alberta	<a href="http://www.jdfoodservices.ca">www.jdfoodservices.ca</a>
Reliable Food Supplies	Mississauga, ON	Greater Toronto Area	<a href="http://www.reliablefoods.com">www.reliablefoods.com</a>
Stewart Foodservice Inc.	Barrie, ON	Ontario	<a href="http://www.stewartfoodservice.com">www.stewartfoodservice.com</a>
Pratts Foodservice	Winnipeg, MB	Alberta & Manitoba	<a href="http://www.pratts.ca">www.pratts.ca</a>
Willoughby Distribution Inc.	Don Mills, ON	Ontario	<a href="http://www.willoughbydistribution.ca">www.willoughbydistribution.ca</a>
PepsiCo Canada	Mississauga, ON	National	<a href="http://www.pepisico.ca">www.pepisico.ca</a>
Qualifirst Foods Ltd.	Rexdale, ON	Ontario & Quebec	<a href="http://www.qualifirst.com">www.qualifirst.com</a>
Seacore Seafood Inc.	Woodbridge, ON	Ontario	<a href="http://www.seacore.ca">www.seacore.ca</a>
UNFI Canada (Foodservice Division)	Concord, ON	National	<a href="http://www.unfi.com">www.unfi.com</a>

## C. Company Profiles

### *Hotels / Resorts – Top 16*

Company Name	Head Office Location	Number of Outlets	Sales †(Millions CAD)/2015
Four Seasons Hotels and Resorts	Toronto, ON	98	\$4,538.9
Fairmont Raffles Hotels International	Toronto, ON	115	\$4,135.9
Marriott Hotels of Canada	Mississauga, ON	130	\$1,384.5
Starwood Hotels and Resorts Worldwide Inc.	Stamford, CT	69	\$999.1
Wyndham Hotel Group	Parsippany, NJ	511	\$859.0
IHG (InterContinental Hotels Group)	Atlanta, GA	170	\$762.5
Hilton Canada Co.	Mississauga, ON	115	\$708.0
InnVest REIT	Mississauga, ON	109	\$553.4
Best Western International	Phoenix, AZ	200	\$542.7
Choice Hotels Canada Inc.	Mississauga, ON	319	\$538.4
Atlific Hotels	Montreal, ON	60	\$480.0
SilverBirch Hotels & Resorts	Vancouver, BC	28	\$366.2
Coast Hotels & Resorts	Vancouver, BC	28	\$220.7
O'Neil Hotels & Resorts Ltd.,	Vancouver, BC	83	\$250.6
Sandman Hotel Group (Northland Properties)	Vancouver, BC	51	\$230.1
Superior Lodging/Master Built Hotels	Calgary, AB	142	\$201.0

Source: Hotel Association of Canada Hotel Industry Fact Sheet (October 2016). 2015 is the latest data available.

**Restaurants – Top 20**

Company Name	Head Office Location	Number of Outlets	Sales †(Millions CAD)/2015
Tim Horton's Inc. (Restaurant Brands International)	Oakville, ON	4,613	\$8,484.0
McDonald's Restaurants of Canada Ltd.	Toronto, ON	1,450	C\$4,500.0
Subway (Doctor's Associates Inc.)	Milford, CT	3,266	\$1,720.0
Starbucks Coffee Canada Inc.	Toronto, ON	1,399	\$1,661.0**
A&W Foodservices of Canada Inc.	Vancouver, BC	879	\$1,162.5
Boston Pizza Inc.	Vancouver, BC	383	\$1,080.0
KFC Canada Company (Yum! Brands Inc.)	Vaughan, ON	637	\$678.3
Dairy Queen Canada (International Dairy Queen)	Minneapolis, MN	676	\$670.0
Wendy's Restaurants of Canada (The Wendy's Company)	Oakville, ON	359	\$632.0**
The Keg Steakhouse & Bar*	Richmond, BC	101	\$585.9**
Swiss Chalet (Cara Operations Ltd.)	Vaughan, ON	215	\$559.0**
Pizza Pizza	Toronto, ON	651	\$459.7
Yogen Früz (International Franchise Inc.)	Markham, ON	1,264	\$407.0**
Pita Pit*	Kingston, ON	625	\$391.0
Burger King (Restaurant Brands International)	Oakville, ON	283	\$373.0**
Pizza Hut Canada Company (Yum! Brands Inc)	Vaughan, ON	405	\$363.5
St. Hubert (Cara Operations Ltd.)	Vaughan, ON	122	\$353.8**
Earls Restaurants*	Vancouver, BC	67	\$330.0**
Harvey's (Cara Operations Ltd.)	Vaughan, ON	271	\$298.1
Domino's Pizza of Canada	Windsor, ON	438	\$292.0**
Source: Foodservice and Hospitality, June 2017, The Top 100 Report. * Canadian owned company ** Sales estimated			

***Institutional – Top 4***

Company Name	Head Office Location	Number of Outlets	Sales †(Millions CAD)/2015
Compass Group Canada	Mississauga, ON (Parent company based in the UK)	2,220  educational institutions, hospitals, airports, businesses	\$1,450.0
Aramark Canada Ltd.	Toronto, ON (U.S. based, Philadelphia)	1,500  health-care, educational, public and remote-market businesses	\$959.0
Sodexo Canada Ltd.**	Burlington, ON (Parent company based in France)	750  educational institutions, hospitals and corporate businesses	\$ 530.1
Dana Hospitality Inc.*	Oakville, ON	80  residential and educational foodservice, resource industries, seniors' market	\$48.54
* Canadian owned company whose operations outside Canada are reflected in revenues and units ** Sales estimated			

**D. Sector Trends**

U.S. food exporters face well-informed and demanding Canadian buyers and consumers. Canadians increasingly demand a greater choice and higher-quality ingredients. As an example, *Subway* announced in 2015 that the chain was to remove artificial flavors, colors, and preservatives from their menu by the end of 2017. Through the company's *Fresh Forward* initiative, four gourmet paninis were added, made with fresh ciabatta bread. This development is part of a growing global demand for fresh ingredients and customization, fueling growth for so called fast casual restaurants, a fusion between QSRs and FSRs.

Fast casual restaurants lack full table-service and have a more casual atmosphere than FSRs, but offer higher-quality products than traditional QSRs. Canadian company *Freshii* is one example of a fast casual chain specializing in healthy and filling salads and bowls. Localizing is another trend that deserves attention. The trend goes beyond sourcing local ingredients and includes service format, venue atmosphere, and brand positioning. Back to the *Subway* example, the *Fresh Forward* concept includes adding Canadian produced items to the menu, and the restaurant make-over was not launched as a one-size-fits-all kit, but an individual approach for each Canadian franchisee.

Plant-based protein is forecasted to gain more traction as vegetables are moving to the center of the dining plate. Despite the ageing population in Canada, millennials (25-34-year-old consumers) have drawn significant attention from restaurants and brands, reshaping product categories in packaged food and beverages, and restaurant menus. Millennials are technology-savvy, heavily influenced by social media, and health- and eco-conscious. Millennials are fueling a demand for products and offerings “free-from” artificial ingredients as well as less processed products.

The Canadian government is in the [process of banning partially hydrogenated oils](#) in food, the ban is expected to come into effect in September 2018. In addition, [front-of-package labeling](#) requirements are being developed for foods high in sodium, sugar, and saturated fat. The regulatory changes reflect the fact that Canadian consumers are becoming more health conscious with a preference for shorter ingredient lists with recognizable ingredients. Embracing a more holistic approach to food, many consumers no longer exclude certain nutrients.

Hot Trends	Up & Comers
#1 Craft beer & Microbrews	Ancient grains e.g. kamut
#2 Food smoking	Culinary Cocktails e.g. savory, fresh ingredients, herb-infused
#3 Charcuterie/house-cured meats	New cuts of meat e.g. oyster steak, Merlot cut
#4 Sous vide	Ethnic/street food inspired appetizers e.g. tempura
#5 Locally sourced foods	Fermenting
#6 Gluten-free/food allergy conscious	Sustainable seafood
#7 Sustainable seafood	Non-wheat noodles or pasta
#8 Ethnic condiments (e.g., Sriracha, raita, chimichurri, sambal)	Fire roasting
#9 Pickling	Simplicity/back-to-basics
#10 Asian twist on condiments (e.g., kimchi mayo)	Veggie-centric cuisine

Source: Restaurants Canada 2017 Chef Survey

In 2016, competition between the major players in the commercial foodservice industry intensified as a result of acquisitions and takeovers. Key foodservice players such as Restaurant Brands International and Cara Operations benefitted from further acquisitions, extending their national presence. Increased competition among independent restaurateurs, on the other hand, led to numerous less profitable businesses exiting the market. All in all, growth in commercial foodservice in 2016 was largely due to growth in chain restaurant sales. However, independent restaurants did outperform chains in adjusting to meet changing consumer demands for fresher and locally sourced food. In general, millennials prefer independent restaurants to chains.

## Section III: Competition

### Leading U.S. Products and the Competition

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p><b>FRESH FRUITS, NUTS &amp; VEGETABLES</b></p> <p><b>VEGETABLES:</b> (HS 07)</p> <p>CANADIAN GLOBAL IMPORTS (2016):</p> <p>\$3.0 BILLION</p>	<p>1. U.S.: 61% 2. Mexico: 25% 3. China: 4.6%</p>	<p>Canada is the largest foreign buyer of U.S. fruits and vegetables. The U.S. benefits from relatively unimpeded export access into Canada during Canada’s winter or non- growing months.</p> <p>Among imports, U.S. fruits and vegetables are preferred by most Canadians.</p> <p>Mexico maintained the same level of market share in Canada since 2012. They remain a major competitor due to lower prices, along with some Canadian produce companies with winter operations in Mexico. Their leading products are tomatoes, cucumbers, asparagus, raspberries / blackberries / strawberries, peppers, avocados, watermelons, papayas, lemons/ limes.</p>	<p>Advantages: Lettuce, onions, carrots, tomatoes, potatoes, cauliflower, and spinach are the leading vegetables sold in the fresh market. Year-round fresh supply is not feasible exclusively from Canadian growers.</p> <p>Seasonality poses a constraint to growers; Canada imports 80% of its fresh vegetables between November and June.</p>
<p><b>FRUIT AND NUTS:</b> (HS 08)</p> <p>CANADIAN GLOBAL IMPORTS (2016):</p> <p>\$4.5 BILLION</p>	<p>1. U.S.: 45% 2. Mexico: 13% 3. Chile: 6.8%</p>	<p>Disadvantages: The ‘Buy Local’ campaigns are well supported by grocery retailers starting in June through October.</p>	
<p><b>PROCESSED FRUITS AND VEGETABLES (HS 20)</b></p> <p>CANADIAN GLOBAL IMPORTS (2016):</p> <p>\$2.2 BILLION</p>	<p>1. U.S.: 65.7% 2. China: 5.7% 3. Brazil: 5.69%</p>	<p>There is a full range of prepared and frozen products. Major products are prepared potatoes, tomato paste, mixed fruits, and a variety of processed vegetables.</p> <p>The United States is a major player with many established processed brands in the market. China’s main products include dried and canned vegetables and fruits.</p>	<p>Canadian companies process a wide range of canned, chilled, and frozen products.</p> <p>Adoption of advanced technologies in food processing has been fairly extensive among Canadian processors. Statistics Canada reported almost 50% companies adopted more than 5 new technologies in their operations.</p> <p>Higher manufacturing and operation costs than in the United States</p>

Product Category (continued)	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p><b>SNACK FOODS</b></p> <p>Chocolate and Other Food Preparations Containing Cocoa (HS 1806)</p> <p>CANADIAN GLOBAL IMPORTS (2016):</p> <p>\$964 MILLION</p>	<p>1. U.S.: 61.8%</p> <p>2. Switzerland: 6.3%</p> <p>3. Mexico: 5.6%</p>	<p>The U.S. dominates these categories with snack breads, pastry cakes, pretzels, chips, and cookies.</p> <p>Competitors vary by sub category with the main competitor and sub category as follows: Mexico: cookies and biscuits; Belgium: chocolate and confections. U.K. Germany and Switzerland; chocolate, along with confection and non- confection items.</p>	<p>Canada's snack food market is continuously growing. The category includes chocolate and non-chocolate confectionary, cookies, crackers, potato chips, corn chips, popcorn, pretzels, and extruded cheese snacks, seed snacks, mixed nuts, peanuts and peanut butter, as well as pork rinds.</p>
<p>Bread, Pastry, Cakes, Biscuits and Other Baker's Wares (HS 1905)</p> <p>CANADIAN GLOBAL IMPORTS (2016):</p> <p>\$1.4 BILLION</p>	<p>1. U.S.: 77.6%</p> <p>2. Mexico: 3.5%</p> <p>3. United Kingdom: 2.4%</p>	<p>The snack food industry is served primarily by domestic manufacturers, however, a number of new products in the category, such as a variety of crackers and other products targeting specific ethnic groups are</p>	<p>The snack food industry is served primarily by domestic manufacturers, however, a number of new products in the category, such as a variety of crackers and other products targeting specific ethnic groups are</p>
<p><b>RED MEATS</b></p> <p>Fresh/Chilled/Frozen. (Group 29)</p> <p>CANADIAN GLOBAL IMPORTS (2016):</p> <p>\$1.47 BILLION</p>	<p>1. U.S.: 65.6%</p> <p>2. Australia: 12.4%</p> <p>3. New Zealand: 9.7%</p>	<p>Beef imports fall into two distinct categories. The largest portion of imports being chilled cuts traditionally from the U.S. Midwest heavily destined for the Ontario region. The other part is frozen manufacturing meat from Australia (for grinding) and New Zealand (largely for specific manufacturing purposes).</p>	<p>Advantages: Canadian beef herd continues to decline.</p> <p>Feed cost advantage that Canada has held has been narrowing through the end of 2017 and may trend to favoring the U.S.</p>
<p>Prepared/Preserved (Group 28):</p> <p>CANADIAN GLOBAL IMPORTS (2016):</p> <p>\$989 MILLION</p>	<p>1. U.S.: 91.3%</p> <p>2. Thailand: 3.0%</p> <p>3. Italy: 2.2%</p>	<p>Many parts of South America remain ineligible for entry to Canada (except as a supplier of cooked and canned beef) due to sanitary reasons. U.S.</p>	<p>Canadian imports of U.S. cattle and beef increasing.</p> <p>Canadian imports of U.S. swine and pork increasing.</p> <p>Decline in Canadian consumption of red meat is stabilizing and trending towards a reversal.</p> <p>Disadvantages: Canadian swine sector is in</p>

<p><b>PORK</b> Fresh/Chilled/Frozen/Prepared/Preserved (HS 0203)</p> <p>CANADIAN GLOBAL IMPORTS (2016): \$875 MILLION</p>	<ol style="list-style-type: none"> <li>1. U.S.: 87%</li> <li>2. Spain: 2.52%</li> <li>3. Germany: 2.51%</li> </ol>	<p>competitors are limited by a beef quota.</p> <p>Europe is seeing an increased market share among Canadian pork imports.</p>	<p>expansion and sow productivity is increasing.</p>
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Product Category (continued)	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p><b>FISH &amp; SEAFOOD</b> (HS 03)</p> <p>CANADIAN GLOBAL IMPORTS (2016):</p> <p>\$2.1 BILLION</p>	<p>1. U.S.: 41.0%</p> <p>2. China: 16.4%</p> <p>3. Vietnam: 6.6%</p>	<p>Leading U.S. exports to Canada are live lobsters, salmon and prepared and preserved fish.</p> <p>Fish filleting is extremely labor intensive, which accounts for the rapid penetration of China and Thailand in this segment.</p> <p>With ocean catches having peaked, aqua culture is becoming a more important source of product and China is the dominant producer of farmed fish and seafood in the world.</p> <p>A growing concern among consumers and retailers for sustainable production practices may help some U.S. fish processors.</p> <p>More than two-thirds of seafood is sold by retailers.</p>	<p>Declining fish stocks have led to almost zero growth in fish and seafood catch over the last decade.</p> <p>In 2015, lobster, crab and shrimp comprise 67% of the landed value of all fish and shellfish harvested in Canada.</p> <p>At approximately 50 lbs. per person, Canadian consumption of fish is significantly higher than in the U.S. 16.5 lbs. per person (2015), making Canada an excellent export market for U.S. exporters.</p> <p>Import of fish and seafood grew by 1.9% in 2015 year with high demand for premium products, including options of hormone-free and free of antibiotic</p>
<p><b>BREAKFAST CEREALS</b> (HS 1904)</p> <p>CANADIAN GLOBAL IMPORTS (2016):</p> <p>\$520 MILLION</p>	<p>1. U.S.: 7.9%</p> <p>2. Mexico: 6.1%</p> <p>3. United Kingdom: 1.6%</p>	<p>Breakfast cereal imports have decreased 7.5 % since 2015. The United States continue to dominate imports with ready- to-serve products that are increasingly popular. Although, the U.K.'s share of the market is small they have a couple of well- established brands in the market.</p>	<p>Sales and manufacturing in Canada is largely controlled by U.S. based companies. Domestic non-U.S. owned competitors tend to be in the specialty or organic breakfast cereal business.</p> <p>Breakfast cereals are expected to continue to shrink by 1% in volume in the coming years as consumers choose other</p>
<p><b>FRUIT &amp; VEGETABLE JUICES</b> (HS 2009)</p> <p>CANADIAN GLOBAL IMPORTS (2016):</p> <p>\$622 MILLION</p>	<p>1. U.S.: 57.4%</p> <p>2. Brazil: 19.9%</p> <p>3. China: 6.0%</p>	<p>Although Canada's imports in 2016 from both the world and from the U.S. decreased, 6.8 % and 10.9% respectively, fresh orange juice showed a small increase.</p> <p>Brazil is the leader in frozen orange juice concentrate.</p> <p>China's major juice export to Canada is concentrated apple juice; China represents 88% of its imports for this category</p>	<p>Canada is a major per capita consumer of citrus juices but is unable to grow these products. It will continue to be an exceptional value added market for the U.S.</p> <p>Both Canada and the U.S. have experienced major penetration by Chinese apple juice due to the major shift of Chinese agriculture toward labor-intensive crops and labor intensive processing.</p>

Product Category ( <i>continued</i> )	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p><b>NUTS</b></p> <p>Tree Nuts excl. Peanuts (Group 20)</p> <p>CANADIAN GLOBAL IMPORTS (2016):</p>	<p>1. U.S. : 54.8%</p> <p>2. Turkey: 15.2%</p> <p>3. Vietnam: 12.5%</p>	<p>This category continues to put in a strong showing in Canada, probably helped by the increased interest in healthy snacking.</p> <p>U.S. peanuts and almonds is preferred by Canadian importers as it meets Canadian sanitary and phytosanitary standards consistently. Turkey is a competitive supplier of Hazelnuts, Vietnam competes in cashew nuts.</p>	<p>Canada has areas of Ontario, which can grow peanuts, but it has not done so in commercial quantities as the returns are not competitive with other crop alternatives. Similarly British Columbia and other provinces produce small quantities of a number of tree nuts including hazelnuts. However, in general, Canada is not price competitive.</p>
<p>Peanuts (Group 47)</p> <p>CANADIAN GLOBAL IMPORTS (2016):</p> <p>\$122 MILLION</p>	<p>1. U.S.: 79.7%</p> <p>2. China: 17.1%</p> <p>3. Nicaragua: 1.5%</p>		

Source: [Global Trade Atlas](#), January 2017

## Imported Products Facing Significant Barriers

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p><b>POULTRY MEAT</b> Fresh/Chilled/Frozen (Hs 0207)</p> <p>CANADIAN GLOBAL IMPORTS (2016):</p> <p>\$403 MILLION</p> <p>Prepared/Preserved (HS 1602)</p> <p>\$171 MILLION</p>	<p>1. U.S.: 87.2%</p> <p>2. Brazil: 8.3%</p> <p>3. Hungary: 2.9 %</p> <p>1. U.S.: 79.2%</p> <p>2. Thailand: 17.6%</p> <p>3. Germany: 2.6%</p>	<p>The U.S. is the world's largest producer of poultry meat. Due to its close proximity to Canada, the U.S. is able to ship fresh poultry to Canada, which is considered a premium quality product.</p> <p>Brazil is the largest exporter of poultry meat and can often land product in Canada at a lower cost compared to the U.S., however the product is frozen. Some Canadian plants are reluctant to source poultry from Brazil, not wanting to take the risk of commingling U.S. and Brazilian origin product which would result in being unable to sell processed products to the U.S.</p> <p>Many imports of U.S. chicken are due in part to imports under the Canadian Import for Re-Export Program (IREP) and the Duties Relief Program (DRP)</p>	<p>The Canadian poultry industry is a Tariff Regulated Industry with live bird and meat prices well above the world market. The Canadian strategy has been to differentiate the product particularly at retail through air chilling and such additional attributes as 'vegetable grain fed chicken'.</p> <p>However, the scale of plant operations in Canada remains relatively small due to the supply managed system. In an effort to mitigate this and to offset difficulty obtaining labor, Canadian processing plants are among the most highly mechanized sectors in Canadian agriculture and employ the latest in robotics.</p> <p>The Canadian industry has significantly increased surveillance since the A.I. outbreaks in B.C. in 2004 and has continuously improved bio-security measures.</p>
<p><b>EGGS &amp; EGG PRODUCTS</b> (Group 24)</p> <p>CANADIAN GLOBAL IMPORTS (2016):</p> <p>\$97 MILLION</p>	<p>1. U.S.: 94.4%</p> <p>2. China: 3.9%</p> <p>3. Thailand: 0.9%</p>	<p>The U.S. egg industry traditionally fills Canada's needs for table eggs when supply is seasonally low.</p> <p>There are significant increases in U.S. imports following Avian Flu outbreaks in Canada to both avert shortages in the market and rebuild the hatching egg supply.</p> <p>The United States is also supplying eggs for processing, and in recent years has become a supplier of organic eggs to Canada.</p>	<p>Canada's egg industry operates under Supply Management, which is designed to encourage production of a sufficient volume of eggs to meet market needs without creating surplus. The market is protected by high tariffs. Today, about 75% of Canada's total egg production is sold for the table market, while the remaining 25% is used in the manufacturing of value-added food and other products (liquid, frozen or dried form). These supplies are supplemented by imports and a Tariff Rate Quota system.</p> <p>The Canadian industry has made considerable inroads at retail with differentiated egg offerings such as "free range", Omega 3, and Organic all of which are sold at a premium. The Egg Farmers of Canada has a sustained media campaign focused on the health benefits of eggs to support retail movement.</p>

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p><b>DAIRY</b> (HS 04, 17, 21, 35):</p> <p>CANADIAN GLOBAL IMPORTS (2016):</p> <p>\$608 MILLION</p> <p>Of which Cheese (HS 0406):</p> <p>\$242MILLION</p>	<p>1. U.S.: 51.6%</p> <p>2. New Zealand: 8.4%</p> <p>3. Italy: 8.0%</p> <p>1. U.S.: 27%</p> <p>2. Italy: 20%</p> <p>3. France: 17%</p>	<p>The U.S.'s close proximity to market, speedy delivery, and significant freight advantage has allowed it to be competitive in the Canadian Import for Re-export Program (IREP) which allows U.S. dairy product to be imported into Canada duty free, and used in further processing, provided the product is subsequently exported.</p> <p>The European Union has a distinct advantage in the cheese trade since it has been allocated 66% of Canada's cheese quota as a result of the 1994 Agreement on Agriculture (AoA). The finalized CETA free trade agreement between Canada and the EU consolidates this advantage. A new bilateral quota of 17,700 metric tons of cheese will open for the EU. Moreover, 800 metric tons of high quality cheese will be added through a technical adjustment to the EU portion of an existing WTO TRQ. The effective total will more than double the current export of EU cheese to Canada, corresponding to more than 4% of the Canadian market.</p> <p>New Zealand has a cost leadership advantage. Low costs of production due to the availability of year-round pasturage have helped New Zealand achieve a 30% share of world dairy exports. New Zealand has an additional advantage on butter imports into Canada and hold 61% of Canada's import quota for butter.</p>	<p>The Canadian dairy market operates under a supply management system, which attempts to match domestic supply with domestic demand while paying producers on a cost of production related formula. This system has tended to price dairy products above prevailing world levels. Imports are controlled under Tariff-rate-quota (TRQ) and over quota imports are subject to high tariffs.</p> <p>American suppliers have taken advantage of the Import for Re-export Program (IREP), which allows Canadian processors to import dairy products used in manufacturing provided the product is exported. The U.S. is the largest user of this program due to the perishable nature of the products.</p> <p>Canadian tariff rate quotas stipulate a 50-per- cent dairy content guideline for imported product, resulting in the creation of ingredients and blend products that are designed to circumvent this guideline. Butter-oil-sugar blends were the first major products to be imported tariff-free, displacing Canadian milk for ice cream. More recently there has been an increase in flavored milks imported as "beverages" and a number of milk proteins which are not captured by the dairy TRQ.</p>

Source: [Global Trade Atlas](#), January 2017

## Section IV: Best Product Prospects

Among the consumer oriented products exported to Canada, fresh fruits and vegetables remain in top with a combined value of \$3.4 billion, followed by prepared foods at \$1.9 billion, red meats at \$1.8 billion, snack foods at \$1.3 billion, and non-alcoholic beverages (excluding juices) at \$1.2 billion. Following is a breakdown of products within the packaged food category with the highest forecasted sales growth for the period of 2016-2021.

Category	Growth Change
	+4 % to 10%
<b>Beverages</b>	Premium fruit / vegetable juices (5%)
<b>Confectionery</b>	Chocolate (4%) Candies snacks (31%)
<b>Dry Grocery</b>	Super grains, such as quinoa, chia seeds and buckwheat (4%) Natural High Fibre Bread (4%) Nuts (4%) Dry fruits (6%) Meat sticks (16%) Vinegar and cooking wines (5%)
<b>Chilled and Frozen Foods</b>	Natural health frozen meat substitutes (6.2% ) Meat patties (11% by volume) Frozen seafood (6%)
<b>Produce</b>	Cauliflower (12% by volume) Yams (10% by volume) Zucchini (8% by volume) Asparagus (7% by volume) Bagged salads (7% by volume) Broccoli (6% by volume) Beets (6% by volume) Avocadoes (23% by volume) Nectarines (12%) Limes (8%) Tangerines/clementines/mandarins (6% by volume) Kiwi (4%)
<b>Snack Foods</b>	Naturally healthy fruit and granola bars ( 16% in retail sales) Chips and other savory snacks (5%)
<b>Non-dairy</b>	Non-dairy milk alternatives, such as soy milk and other milk alternatives (9% in retail sales)

Source: Euromonitor International, 2016

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